



RESEARCH PROJECT ON TOBACCO TAXATION IN WEST AFRICA « FISCAL SOLUTIONS FOR OPTIMAL REDUCTION OF SMOKING IN WEST AFRICA »



PROFILE OF THE IVORY COAST ON TOBACCO *Adopt a more effective and better inform about the prevalence of tobacco products*

Context

If nothing is done, the pandemic of tobacco will cause 10 millions of death by 2030 of which 70% in developing countries. To curb this trend, Framework Convention on Tobacco Control was put in place in 2005 with a set of monitoring indicators to assess the progress made by each country. These indicators focus on the monitoring of consumption, the protection of individuals, the prevention of harmful effects, the ban on advertising and an increase in prices through higher taxation. The fifteen (15) ECOWAS countries have all ratified this framework convention. However, the adoption of laws and measures to make it operational in each member country is slow. One of the reasons for this situation is that the public authorities are generally confronted with a lack of information on the different aspects of tobacco that can inform their decision-making. In order to fill this need for evidence, CRES had developed a country profile on smoking in each of the fifteen (15) ECOWAS countries for the period 2007 to 2011. It provides reliable information on the trade of tobacco products, the tax system applied, their importance in the economy and the existence of smuggling. CRES updated these country profiles for the period 2012-2016 in six (6) of the fifteen ECOWAS countries. The purpose of this policy brief is to share the main stylized facts obtained in Burkina Faso's country profile between 2011 and 2016.



1. PREVALENCE AND CONSUMPTION OF TOBACCO PRODUCTS

A strong desire to apply the measures taken

The Ivory Coast is committed to strengthening awareness campaigns, repressive measures and regulations to make tobacco less accessible. A first campaign was launched in April 2013 with signs and official banners for smoking. The control of open spaces to the general public came into effect on June 14, 2014. It allowed

offenders to be fined for amounts ranging from 15,000 CFA francs to 50,000 CFA francs. These measures are dictated by the numerous cases of mortality and morbidity caused by smoking in the Ivory Coast and their negative impact on the country's economy.

Old and non-exclusive data on tobacco

There is not a comprehensive national survey in the Ivory Coast that focuses exclusively on adult smoking yet. The prevalence of smoking in the population aged 15 to 49 was revealed by the

2012 MICS Demographic and Health Survey, which is not exclusive to tobacco. The surveys of adults specifically devoted to tobacco concerned only 8000 people living in Abidjan.

The prevalence of smoking was estimated at 14.6% for both sexes. While 25% of men aged 15 to 49 reported using tobacco products, the prevalence among women was 0.4%. It was 27%

in rural areas and 23% in urban areas. The 2009 school-based smoking survey of adolescents aged 13 to 15 revealed a prevalence of 13.7%. It was 20.9% for boys and 5.7% for girls.

2. TOBACCO CONTROL

Strengthened regulatory framework at institutional and organizational levels

The Ivorian Government, aware of the harmful effects of smoking, has put in place an organizational and institutional framework comprising:

- A National Program against Tobacco, Alcohol, Drug Addiction and Other Addictions (PNL-TA);
- A national policy document and national strategic plan for 2013-2016;

- The signing and ratification of the Framework Convention on Tobacco Control;
- A law prohibiting smoking in public places with financial penalties;
- A law prohibiting the advertising of tobacco products;
- Ratification of the Protocol to eliminate illicit tobacco products trade.

A strong desire to apply the measures taken

The Ivory Coast is committed to strengthening awareness campaigns, repressive measures and regulations to make tobacco less accessible. A first campaign was launched in April 2013 with signs and official banners for smoking. The control of open spaces to the general public came into effect on June 14, 2014. It allowed

offenders to be fined for amounts ranging from 15,000 CFA francs to 50,000 CFA francs. These measures are dictated by the numerous cases of mortality and morbidity caused by smoking in Côte d'Ivoire and their negative impact on the country's economy.

Tobacco industry advertising spending steadily rising

The tobacco industry is exempt from the anti-advertising legislation. Despite the ban on advertising on tobacco products, advertising

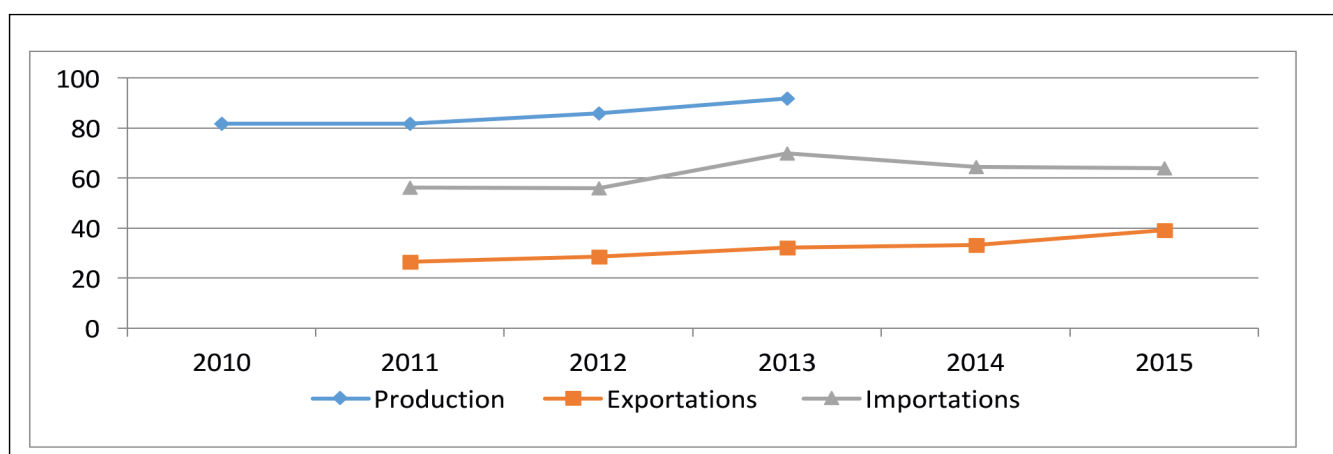
expenditure on this product increased from 0.94 billion CFA francs in 2010 to 1.95 billion CFA francs in 2014.

3. CONTRIBUTION OF TOBACCO PRODUCTS TO THE IVORIAN ECONOMY

The Ivory Coast is the third largest producer of cigarettes in the ECOWAS zone, behind Nigeria and Senegal, with an estimated production of more than 90 billion FCFA in 2013. This production, insufficient for local consumption,

is supplemented by imports exceeding exports over the entire 2011-2015 period. This implies that the tobacco industry is losing foreign currency to the country with a large trade deficit in tobacco products.

GRAPH 1: PRODUCTION, IMPORTS AND EXPORTS OF TOBACCO PRODUCTS (IN BILLIONS OF FCFA)



Low tax revenues and very tentative job creation

Tax revenues from tobacco products, in comparison with the country's total tax revenue, are low. They represent only 2.43% of total tax revenues in 2015 compared to 2.95% in 2011. They have increased continuously from 2011 to 2014 and subsequently decreased in 2015. The share of these revenues decreased between 2011 and 2013, then increased in 2014, followed by another decline in 2015.

The production and marketing of tobacco products do not promote job creation. As shown in Table 2, the maximum number of jobs created is 417 in 2012. This figure has changed in a contrasting manner in the 2011-2015 period. In 2011, the Ivorian Tobacco Company (SITAB) had 297

workers. The number of employees increased between 2011 and 2013 to reach 305 workers in 2013. But since 2014, the number of jobs has decreased in this company from 305 in 2013 to 109 in 2014, to reach 95 workers in 2015. This drop in employment within this company can be explained by the creation of SITAB Industries, which took over the production of cigarettes from SITAB. For the Ivorian Tobacco Distributor (IDT), the number of workers fell between 2011 and 2012, then increased between 2013 and 2015, from 96 workers in 2012 to 115 workers in 2015. A network of distributors also exists with several outlets.

TABLE: EVOLUTION OF TAX REVENUES AND EMPLOYMENT IN THE TOBACCO INDUSTRY IN THE IVORY COAST

| Years | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|--------|--------|-------|--------|--------|
| Total tax revenue from tobacco | 29 | 32 | 35 | 46 | 41 |
| Tobacco tax revenue share in total tax revenue | 2,95 % | 2,36 % | 2,46% | 3,11 % | 2,43 % |
| Number of people employed by the tobacco industry | 398 | 406 | 417 | 411 | 396 |

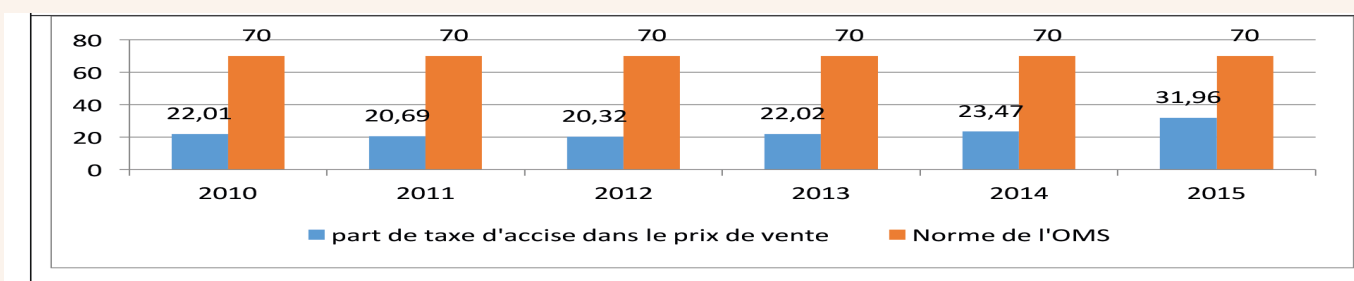
4. TAXATION OF TOBACCO PRODUCTS

An inefficient tax system

The low tax revenue from tobacco products in the Ivory Coast is the result of a tax system that is not adapted to effective tax policy. Indeed, the World Health Organization advocates a tax system where excise taxes represent 70% of the price of the pack of cigarettes. In the Ivory Coast, the share of excise taxes in the retail price of cigarettes is only about 32%, far from the norm. This small share can be explained by three factors. Firstly, the tax base for tobacco products is the ex-factory price. The latter represents only less than half of the final sales price. Tax revenue from a tax based on this price cannot be as large as that calculated from the final sale price.

Secondly, the excise taxes applied in the Ivory Coast are ad valorem. It is recognized that this type of tax is less efficient than the specific tax. Tax increases are not always passed on to the selling price by the tobacco industry. With the ad valorem tax, the tobacco industry can declare an ex-factory price to absorb tax increases. Thirdly, the rates of this applied tax are very low. Until 2014, the Ivory Coast applied 25% tax while the WAEMU directive allowed it a ceiling of 45% and that of ECOWAS 100%. The increase in tax shares in the sales price in 2015 is explained by the increase in the tax rate from 25% to 35%.

GRAPH 2: SHARE OF EXCISE TAXES IN RETAIL SALES PRICES IN THE IVORY COAST



5. MAIN LESSONS LEARNT AND RECOMMENDATIONS

Main lessons

Two main lessons can be drawn from this country profile.

- 1) The lack of a survey exclusively devoted to tobacco products which makes it possible to better know their prevalence among adults.
- 2) The exclusive application of the ad valorem tax with low rates and an inappropriate tax base.

Recommendations

- Organize an exclusive survey on the consumption of tobacco products in adults.
- Change the tax base ex-factory price by the final sales price excluding VAT.
- Apply an ad valorem tax rate of at least 50%.
- Associate with the type of ad valorem tax a specific tax to have a significant increase of tax

The Research Center for International Development (IDRC) has funded the Consortium for Economic and Social Research (CRES) to conduct an action research on the taxation of tobacco products. As part of this project, Côte d'Ivoire's country profile is developed by a team composed of Professor BALLO Ziéde from Cocody University and KOUASSI Konan Antoine from Côte d'Ivoire's General Tax Directorate.

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